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Cutting Federal COLAs

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Government workers would have to contribute 9 percent of their salaries toward retirement and federal retirees would get only partial cost-of-living adjustments under a deficit-reduction plan tentatively approved yesterday by the Senate Budget Committee.

The committee already has approved a federal pay freeze—rather than the 5 percent cut requested by the president—for next year, along with a freeze in cost-of-living adjustments for government and military retirees in 1986.

If approved by Congress, the committee action would have the effect of cutting the salary of the average federal worker by about 2 percent next year. Government and postal workers now put 7 percent of their salaries into the civil service retirement fund.

Most firms with retirement programs for employees do not require their workers to contribute to the plan.

In addition to rejecting the president's proposed 5 percent civil service salary cut, the budget committee also turned down an administration plan to raise the federal retirement age from 55 to 65. The committee ignored a proposal that employee annuities, now based on an

employee's highest three-year average salary, be computed on a highest five-year average.

The budget committee plan calls for no COLA increase next January for government and military personnel, including the more than 100,000 retirees in this area. Beginning in 1987, retirees would get annual adjustments of 2 percent lower than the rise in living costs.

For example, if the cost of living went up 5 percent, retirees who now get full COLAs would get 3 percent raises; if it went up 3 percent, they would get an adjustment of 1 percent.

The committee, looking for savings equal to those that would have been produced by the pay cut it rejected, also briefly considered a proposal to increase employee retirement

contributions to 11 percent of salary within four years.

Raising employee retirement contributions and "capping" raises for retirees were among the many money-saving suggestions of the President's Private Sector Survey on Cost Control, better known as the Grace Commission.

Budget Committee recommendations serve as guidelines to committees working on dollar-saving cuts for programs ranging from defense to civil service. In the Senate, civil service matters are handled by the Governmental Affairs Committee.

Final action will be up to the full House and Senate, subject to approval by the president.